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TOP FORM INTERNATIONAL LIMITED

黛麗斯國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 333)

TRANSACTIONS IN RELATION TO (1) PURCHASE OF ASSETS; (2) LEASE AGREEMENT; AND (3) SUBSCRIPTION OF BAP SHARES

PURCHASE OF ASSETS

On 29 December 2022, BAP (as the seller), a company indirectly owned as to 29.6% by the Company through Top Form Brasserie, and PGJ (as the purchaser), an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which BAP has conditionally agreed to sell and PGJ has conditionally agreed to purchase the Assets at a purchase price of US\$2,000,000.

LEASE AGREEMENT

On 29 December 2022, BAP (as the landlord) and PGJ (as the tenant) also entered into the Lease Agreement and the Side Letter, pursuant to which BAP has agreed to lease and PGJ has agreed to take the lease of the Premises commencing from 1 January 2023 for a lease period of 3 years. The aggregate rental amount for the lease period of 3 years is US\$1,026,000.

SUBSCRIPTION OF BAP SHARES

On 29 December 2022, Top Form Brassiere entered into the Subscription Agreement with BAP whereby Top Form Brassiere has agreed to subscribe and BAP has agreed to allot and issue 480 new BAP shares to Top Form Brassiere at a consideration of US\$400,000.

* *For identification purpose only*

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) under the Sale and Purchase Agreement and the Lease Agreement and the Side Letter when aggregated exceed 5% but are all less than 25%, the transactions contemplated under the Sale and Purchase Agreement and the Lease Agreement and the Side Letter in aggregate constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Group, when entering into a lease transaction as a lessee, should recognise the right-of-use asset in connection with the lease in the consolidated financial statements of the Company. By virtue of the above, the entering into of the Lease Agreement and the Side Letter by the Group as a lessee will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

On 29 December 2022, BAP (as the seller), a company indirectly owned as to 29.6% by the Company through Top Form Brasserie, and PGJ (as the purchaser), an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which BAP has conditionally agreed to sell and PGJ has conditionally agreed to purchase the Assets at a purchase price of US\$2,000,000.

A summary of the principal terms of the aforesaid transactions are set out below:

PURCHASE OF ASSETS

Details of the principal terms of the Sale and Purchase Agreement are set out below:

Date	:	29 December 2022
Seller	:	BAP, a company owned as to 29.6% by the Company through Top Form Brassiere, an indirect wholly-owned subsidiary of the Company
Buyer	:	PGJ, an indirect wholly-owned subsidiary of the Company
Assets	:	Building installations, vehicles, office equipment, factory equipment and machineries as listed in schedule 1 to the Sale and Purchase Agreement
Other term	:	BAP also agrees that the employees of BAP shall be transferred to PGJ and shall assist PGJ in such transfers
Purchase price	:	An amount that is equal to US\$2,000,000.

BAP and Top Form Brasserie had entered into various loan agreements dated 1 July 2020, 2 November 2020 and 1 April 2021 (each a “**Loan Agreement**” and together the “**Loan Agreements**”) whereby Top Form Brassiere had lent to BAP an aggregate amount of US\$2,740,000 (the “**Loan Amount**”).

On 26 December 2022, Top Form Brasserie assigned US\$2,342,000 of the Loan Amount due from BAP to it to PGJ by way of a deed (“**Deed of Assignment**”) to set-off against the US\$2,000,000 payable by PGJ under the Sale and Purchase Agreement. The balance of US\$342,000 shall be used to set-off against the rental deposit in relation to the Lease Agreement and the Side Letter owing by PGJ to BAP (as detailed below) at Completion.

Completion of the sale and purchase of the Assets is conditional on (i) all the warranties made by BAP under the Sale and Purchase Agreement having been true, complete and correct on the completion date (the “**Completion Date**”) and PGJ having fulfilled all of its obligations and undertakings pursuant to the Sale and Purchase Agreement; and (ii) BAP having obtained all the necessary approval for the performance of its obligations under the Sale and Purchase Agreement, including but not limited to the required corporate approval according to BAP’s articles of association and approval from third party, as applicable.

THE LEASE AGREEMENT AND THE SIDE LETTER

On 29 December 2022, BAP and PGJ entered into the Lease Agreement and the Side Letter for the lease of the Premises.

Details of the principal terms of the Lease Agreement and the Side Letter are set out below:

Date	:	29 December 2022
Lessor	:	BAP
Lessee	:	PGJ
Premises	:	Jalan Raya Solo Tawangmangu KM.25 - Karanganyar, Kp. Ngiri Rt. 001/Rw. 003 Desa Ngemplak, Kecamatan Karangpandan, Kabupaten Karanganyar, Jawa Tengah, Indonesia (with total lettable area of 12,372 square meter)
Use	:	Factory facility

Term	:	3 years commencing on the later of 1 January 2023 or the date of completion of the Lease Agreement
Monthly rent	:	US\$28,500 plus VAT, from the 1st to 36th months
Deposit	:	One-year rent upfront in the amount of US\$342,000, settlement as detailed above

The lease of the Premises is conditional on BAP having obtained the written approval from PT Bank of India Indonesia Tbk (“**BOII**”) for BAP to lease the Premises as required under the loan agreement between BAP and BOII dated 30 June 2021.

The Side Letter provides BAP with the first right to purchase the Premises during the term of the lease.

SUBSCRIPTION OF BAP SHARES

On 29 December 2022, Top Form Brassiere entered into the Subscription Agreement with BAP whereby Top Form Brassiere has agreed to subscribe and BAP has agreed to allot and issue 480 new BAP Shares to Top Form Brassiere at a consideration of US\$400,000.

Details of the subscription of BAP Shares are set out below:

Date of the Subscription Agreement	:	29 December 2022
Allottee	:	Top Form Brassiere
Shares allotted	:	480 new BAP Shares, representing 25.3% of the total enlarged issued share capital of BAP, which rank <i>pari passu</i> with all existing BAP shares
Consideration	:	US\$400,000

Part of the consideration of US\$398,000 will be settled by way of a set-off against the balance amount of the Loan Amount due and owing by BAP to Top Form Brassiere following the assignment of US\$2,342,000 by Top Form Brassiere to PGJ, as detailed above, and the remaining consideration of US\$2,000 will be settled by cash to be paid by Top Form Brassiere to BAP

The consideration for the 480 BAP Shares was determined with reference to, inter alia, (i) the original investment cost when the Group first invested in BAP in 2020; (ii) the current market environment; and (iii) the financial position of BAP. When the Group first invested in BAP in 2020, the price per BAP Share was approximately US\$1,700. The price per BAP Share under the Subscription Agreement is approximately US\$833.

Consequent upon completion of the Subscription Agreement, Top Form Brassiere's shareholding in BAP will increase from 420 BAP Shares to 900 BAP Shares, representing 47.4% of the total issued share capital of BAP. After the assignment of US\$2,342,000 by Top Form Brassiere to PGJ as well as the set-off with BAP and after deducting the consideration of US\$398,000 for the allotment of new BAP Shares to Top Form Brassiere, the amount due and owing under the Loan Agreements from BAP to Top Form Brassiere will be nil.

INFORMATION ON BAP

BAP is a company incorporated in Indonesia which is principally a manufacturer of women intimate apparel in Central Java, Indonesia. Prior to the subscription of BAP Shares, BAP is owned by Top Form Brassiere, an indirect wholly-owned subsidiary of the Company, as to 29.6% and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BAP is held as to 35.2% by Ms. Suwarni Tersebut and 35.2% by Ms. Irma Prameswari and both of them are Independent Third Parties. BAP is accounted for as an associated company (in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants) of the Company. Following completion of the Subscription Agreement, BAP will continue to be treated as an associated company of the Company.

INFORMATION ON PGJ AND TOP FORM BRASSIERE

The Group is principally engaged in the design, manufacture and distribution of ladies' intimate apparel, principally brassieres. PGJ is a company incorporated in Indonesia which is principally set up to manufacture women intimate apparel for the Group's customers in the United States of America. Top Form Brassiere is a company incorporated in Hong Kong and is principally engaged in the manufacture and trading of ladies' underwear. Both PGJ and Top Form Brassiere are indirect wholly-owned subsidiaries of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT, THE LEASE AGREEMENT AND THE SIDE LETTER, AND THE SUBSCRIPTION AGREEMENT

The terms of the Sale and Purchase Agreement, the Lease Agreement and the Side Letter and the Subscription Agreement, including the purchase price for the Assets, the rent for the Premises and the consideration for the 480 new BAP Shares, were arrived at after negotiations on an arm's length basis between BAP, PGJ and Top Form Brassiere (where applicable) based on normal commercial terms. The Directors consider that the entering into of the Sale and Purchase Agreement, the Lease Agreement and the Side Letter and the Subscription Agreement is an opportunity for the immediate settlement of the amounts due and owing from BAP to the Group under the Loan Agreements.

The purchase price of the Assets was determined with reference to, inter alia, (i) the initial purchase costs of the Assets; (ii) the physical condition of the Assets; and (iii) the availability of second hand assets of the same nature in similar conditions. The initial purchase cost of the Assets was approximately US\$3,025,000 and the book value of the Assets as at 31 December 2021 was approximately US\$1,343,000. The Directors consider the premium of the purchase price of the Assets as compared to the book value is justifiable given the reasons stated above and also that the Assets are readily available for use immediately after purchase, as opposed to buying new machines and setting up the operation from scratch which will take time, and also the consideration can be set-off against the outstanding Loan Amount due and owing by BAP to Top Form Brassiere.

The rent under the Lease Agreement and Side Letter was determined with reference to, inter alia, (i) the physical condition of the Premises; and (ii) the prevailing market price of leasing comparable premises in the vicinity of the Premises.

The consideration for the 480 BAP Shares was determined with reference to, inter alia, (i) the original investment cost when the Group first invested in BAP in 2020; (ii) the current market environment; and (iii) the financial position of BAP. When the Group first invested in BAP in 2020, the price per BAP Share was approximately US\$1,700. The price per BAP Share under the Subscription Agreement is approximately US\$833.

The Group has been engaging BAP as its contract manufacturer to produce women intimate products for the Group's major customers in the United States of America since 2020. Given the price competitiveness and efficient workforce in Indonesia, the Group has been increasing its production capacity in Indonesia. Given the continued tension between China and the United States of America, the demands from the Group's customers in the United States of America to have their products manufactured in Indonesia are increasing. However, given the financial constraint of BAP, it is not able to further increase its production capacity to fulfill the Group's orders. The Premises is the existing factory used by BAP for its production prior to the Sale and Purchase Agreement. The Group has obtained a good understanding of the operating environment in Indonesia by engaging BAP in the past two years, and the Company considers this a good opportunity to expand its investments in Indonesia and at the same time for the Group to expand its production capacity in order to fulfil the increasing demands from its customers in the United States of America.

Taking into account the factors above, the Directors consider that the entering into of the Sale and Purchase Agreement, the entering into of the Lease Agreement and the Side Letter and the subscription of BAP Shares are on normal commercial terms, and the terms thereof (including the purchase price for the Assets, the rent for the Premises and the consideration for the 480 new BAP Shares) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Directors confirmed that the entering into of the Sale and Purchase Agreement, the entering into of the Lease Agreement and the Side Letter and the subscription of BAP Shares will have negligible financial impact on the Group.

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset to be recognised by the Company in connection with the Lease Agreement and the Side Letter is estimated to be approximately HK\$7,299,000, which is the present value of aggregated lease payments with the lease in accordance with HKFRS 16 “Leases”. A discount rate of 6.43% is applied to compute the present value of aggregated lease payments under the Lease Agreement and the Side Letter. The above estimated value of the right-of-use asset is subject to audit.

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In accordance with HKFRS 16 “Leases”, the Group, when entering into a lease transaction as a lessee, should recognise the right-of-use asset in connection with the lease in the consolidated financial statements of the Company. By virtue of the above, the entering into of the Lease Agreement and the Side Letter by the Group as a lessee will be regarded as an acquisition of asset under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Assets”	building installations, vehicles, office equipment, factory equipment and machineries as listed in schedule 1 to the Sale and Purchase Agreement
“BAP”	PT Bintang Abadi Persada, a company incorporated under the laws of the Republic of Indonesia with limited liability and owned as to 29.6% by the Company through Top Form Brassiere
“BAP Shares”	ordinary shares in BAP
“Board”	the board of Directors
“Company”	Top Form International Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 333)

“Completion”	completion of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any individual or company not being the connected persons (as defined under the Listing Rules) of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associates
“Lease Agreement”	the lease agreement of land and building dated 29 December 2022 entered into between BAP as the lessor and PGJ as the lessee in relation to the lease of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PGJ”	PT Pahlawan Gunung Jaya, a company incorporated under the laws of the Republic of Indonesia with limited liability and is an indirect wholly-owned subsidiary of the Company
“PRC” or “China”	The People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan
“Premises”	the land and building located at Jalan Raya Solo Tawangmangu KM.25 - Karanganyar, Kp. Ngiri Rt. 001/Rw. 003 Desa Ngemplak, Kecamatan Karangpandan, Kabupaten Karanganyar, Jawa Tengah, Indonesia
“Sale and Purchase Agreement”	the asset sale and purchase agreement dated 29 December 2022 entered into between BAP as the seller and PGJ as the buyer in relation to the purchase of Assets by PGJ from BAP

“Share(s)”	ordinary share(s) of HK\$0.5 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Side Letter”	the side letter to the Lease Agreement dated 29 December 2022 entered into between BAP and PGJ in relation to the lease of the Premises
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the notarial deed dated 29 December 2022 in relation to the subscription of 480 BAP Shares by Top Form Brassiere
“Top Form Brassiere”	Top Form Brassiere Mfg. Co., Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“VAT”	value added tax of Indonesia which is currently 11%
“%”	per cent.

By order of the Board
Top Form International Limited
Wong Chung Chong
Chairman

Hong Kong, 29 December 2022

As at the date of this announcement, the Board comprises Mr. Wong Chung Chong, Mr. Wong Kai Chung, Kevin and Mr. Wong Kai Chi, Kenneth as executive Directors; Mr. Herman Van de Velde and Ms. Lien Van de Velde as non-executive Directors; and Ms. Leung Churk Yin, Jeanny, Mr. Leung Ying Wah, Lambert and Mr. Lin Sun Mo, Willy as independent non-executive Directors.